

0850 California State Lottery Commission

In 1984, the California Constitution authorized the establishment of a statewide lottery. As an initiative statute, the California State Lottery Act (Act) of 1984 created the California State Lottery Commission and gave it broad powers to oversee the operations of a statewide lottery. The primary purpose of the Act is to provide supplemental monies to benefit public education without the imposition of additional or increased taxes. The Lottery is administered by a five-person Commission appointed by the Governor and confirmed by the State Senate.

The Act requires that 50 percent of total annual revenues be returned to the public in the form of prizes and at least 34 percent of total revenues be allocated to the benefit of public education. No more than 16 percent of total revenues are to be used for administrative costs. Those revenues are allocated to public education and placed in a special fund, known as the California State Lottery Education Fund, which is appropriated for the benefit of public education and which holds revenues until they are allocated on a per capita basis, using prior year certified Average Daily Attendance data, to the following categories: K-12 education, Community Colleges, the California State University, the University of California, and other educational entities.

The Act was amended by a legislative initiative In March 2000 to provide that one-half of the amount of the share allocated to public education in excess of the amount allocated to education in fiscal year 1997-98 be allocated to school and community colleges districts for the purchase of instructional materials.

In the 24 years since sales began in October 1985 through June 30, 2009, the California State Lottery has raised over \$21 billion for public education, including \$1 billion in fiscal year 2008-09.

Because of the inherently variable nature of lottery ticket sales, revenue estimates for 2009-10 and 2010-11 cannot be made with certainty.

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code, Title 2, Division 1, Chapter 12.5 (Sections 8880-8880.72).

0850 California State Lottery Commission - Continued

Statement of Operations

	2008-09*	2009-10*	2010-11*
Lottery sales	\$2,954,839	\$2,960,000	\$2,960,000
Investment Proceeds from Portfolio Restructuring	16,132	50,000	0
Total, Resources	<u>2,970,971</u>	<u>3,010,000</u>	<u>2,960,000</u>
Less prizes	1,556,121	1,583,225	1,583,225
Resources after prizes	<u>1,414,851</u>	<u>1,426,775</u>	<u>1,376,775</u>
Less Game Costs:			
Retailer costs	208,106	210,859	210,859
Draw game costs	33,687	39,266	39,266
Instant ticket game costs	17,217	16,740	16,740
Total, Game Costs	<u>\$259,010</u>	<u>\$266,865</u>	<u>\$266,865</u>
Resources before operating expenses	\$1,155,840	\$1,159,910	\$1,109,910
Operating Expenses:			
Salaries, wages and benefits	49,168	48,663	48,663
Advertising	42,185	33,517	33,517
Promotion, public relations and point-of-sale	14,064	12,272	12,272
Other professional services	7,448	10,273	10,273
Depreciation and amortization	12,965	14,441	14,441
Other general and administrative expenses	11,350	17,344	17,344
Total, Operating Expenses	<u>\$137,180</u>	<u>\$136,510</u>	<u>\$136,510</u>
Income and Proceeds to Education	1,018,660	1,023,400	973,400
Interest Income	8,661	10,000	10,000
Other income	408	-	-
Net Resources	<u>\$1,027,729</u>	<u>\$1,033,400</u>	<u>\$983,400</u>
Unclaimed on-line prizes	<u>20,965</u>	<u>21,000</u>	<u>21,000</u>
TOTAL RESOURCES DUE TO EDUCATION FUND	\$1,048,694	\$1,054,400	\$1,004,400

* Dollars in thousands, except in Salary Range.

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	2008-09*	2009-10*	2010-11*
Department of Education (K-12)	\$824,149	\$828,634	\$789,339
California Community Colleges	156,798	157,652	150,176
California State University/California Maritime Academy	42,097	42,326	40,319
University of California	25,142	25,277	24,079
Hasting College of Law	138	139	132
California Department of Corrections and Rehabilitation			
- Division of Juvenile Justice	124	125	119
Department of Education - State Special Schools	102	103	98
Department of Developmental Services	144	144	138
TOTALS	\$1,048,694	\$1,054,400	\$1,004,400

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0850 California State Lottery Commission - Continued

DETAIL OF APPROPRIATIONS AND ADJUSTMENTS (Reconciliation with Appropriations)

1 STATE OPERATIONS	2008-09*	2009-10*	2010-11*
0562 State Lottery Fund			
APPROPRIATIONS			
001 Budget Act appropriation	(\$431,045)	(\$417,950)	(\$403,375)
Revised estimated expenditures	<u>(-34,855)</u>	<u>(-14,575)</u>	<u>-</u>
TOTALS, EXPENDITURES	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>
TOTALS, EXPENDITURES, ALL FUNDS (State Operations)	\$-	\$-	\$-

* Dollars in thousands, except in Salary Range.